

Message Text

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PAGE 01 MANILA 14934 260420Z
ACTION TRSE-00

INFO OCT-01 EA-10 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 IO-13 PA-01 H-01 L-03 /117 W
-----116918 260425Z /14

R 250815Z AUG 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 0676
INFO AMEMBASSY ISLAMABAD

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USADB

FOR NAC AGENCIES

EO 11652:NA
TAGS:EAID, EFIN, PK, ADB
SUBJECT: ADB LOAN FOR D.G. KHAN CEMENT PROJECT (PAKISTAN)

REF: (A) TREASURY 78-123, (B) MANILA 13880,
- (C) ISLAMABAD 8194

1. ON AUGUST 24, THE ADB BOARD OF DIRECTORS APPROVED A
PROPOSED 51.5 MILLION DOLLARS EQUIVALENT LOAN FROM
SPECIAL FUNDS RESOURCES TO FINANCE THE FOREIGN EXCHANGE
COST OF A DRY PROCESS CEMENT PLANT OF 2,000 METRIC TONS
PER DAY CAPACITY LOCATED IN THE D.G. KHAN DISTRICT,
PROVINCE OF PUNJAB. PRESS RELEASE WILL BE POUCHED.

2. AS POINTED OUT IN REFTTEL A, THE U.S. EXECUTIVE
DIRECTOR EXPRESSED THE DESIRE THAT THE BANK SEEK SPECIAL
ASSURANCES THAT THE ISSUE OF REDUCING EXCISE DUTIES AND
THE DEVELOPMENT SURCHARGE BE DECIDED FOR THE NEW CEMENT
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PLANTS BEFORE THE D.G. KHAN PROJECT IS IMPLEMENTED. THE
ADB STAFF NOTED THAT THE NEW PLANTS WOULD NOT BE COMPLETED
FOR FOUR YEARS, THAT THEY WERE SATISFIED WITH THE
ASSURANCES RECEIVED FROM THE GOVERNMENT OF PAKISTAN BUT
THAT THEY WOULD CONTINUE TO BE IN CLOSE CONSULTATION
WITH THE PAKISTANI AUTHORITIES.

3. THE USED ALSO NOTED THAT THE BANK WAS DEALING WITH A COUNTRY WITH VAST NEEDS. HE NOTED THAT THERE WERE 37 APPLICATIONS FROM THE PRIVATE SECTOR FOR INVESTMENT IN CEMENT PLANTS, OF WHICH ONLY ONE HAS BEEN APPROVED IN PRINCIPLE TO DATE BY THE GOVERNMENT. USED SAID HE WAS PERPLEXED AS TO WHY THE BANK WAS ASSISTING PUBLIC SECTOR CONSTRUCTION OF A CEMENT PLANT AT A TIME WHEN THE PRIVATE SECTOR APPEARED WILLING TO GO IN. HE QUESTIONED WHETHER THIS WAS THE BEST USE OF THE BANK'S RESOURCES AND THOUGHT THE BANK SHOULD BE PUTTING ITS RELATIVELY SCARCE RESOURCES IN AREAS WHERE ALTERNATE MEANS WERE NOT AVAILABLE. THIS LED TO A LENGTHY DISCUSSION BETWEEN THE MANAGEMENT AND EDS AS TO THE PRIORITY GIVEN TO THIS PROJECT IN VIEW OF THE CURRENT STATE OF PAKISTAN'S ECONOMIC DEVELOPMENT. THE SUGGESTION WAS MADE THAT MORE ATTENTION SHOULD BE GIVEN TO FORMULATING COUNTRY STRATEGIES.

4. ADB PRESIDENT YOSHIDA REMARKED THAT MANAGEMENT AND STAFF WOULD KEEP IN MIND THE REMARKS OF THE EDS ON THIS MATTER. AFTER THE PROJECT WAS APPROVED, THE PAKISTAN ED SAID HE HAS BEEN ASSOCIATED WITH HIS GOVERNMENT'S THINKING ON THIS PROJECT. HE NOTED THAT SOME EFFORTS BY ENTREPRENEURS TO ENTER THE CEMENT PRODUCTION AREA WERE MERELY TO PRE-EMPT THE BUSINESS. HOWEVER, THEY WOULD STILL DEPEND ON THE GOVERNMENT TO MOBILIZE THE NECESSARY LIMITED OFFICIAL USE

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RESOURCES FOR THEM. EDMOND

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NNN

Message Attributes

Automatic Decaptioning: X
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